

Non-GAAP Financial Measures

- ***Free Cash Flow***

Our measure of “FCF” meets the definition of a non-GAAP financial measure. FCF is used in addition to and in conjunction with results presented in accordance with GAAP and FCF should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review our financial statements and publicly-filed reports in their entirety and to not rely on any single financial measure. FCF, which we reconcile to “Net cash provided by operating activities,” is cash flow from operations reduced by “Expenditures for property, plant and equipment”. We believe that FCF, although similar to cash flow from operations, is a useful additional measure since capital expenditures are a necessary component of ongoing operations. Management also views FCF, as a measure of the Company’s ability to reduce debt, add to cash balances, pay dividends, and repurchase stock. FCF has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, FCF does not incorporate payments made on capital lease obligations or required debt service payments. In addition, different companies define FCF differently. Therefore, we believe it is important to view FCF as a complement to our entire consolidated statements of cash flows. A reconciliation of cash provided by operating activities to FCF for the thirteen weeks and twenty-six weeks ended March 3, 2018 and March 4, 2017, respectively is shown below.

- ***Results excluding DECO Tool Supply Co***
- ***Results excluding (a)provisional one-time tax benefit and (b)adjustment from applying lower YTD rate due to the Tax Cuts and Jobs Act (“TCJA”)***

To supplement MSC’s unaudited selected financial data presented consistent with Generally Accepted Accounting Principles (“GAAP”), the Company discloses certain non-GAAP financial measures, including Non-GAAP net sales, non-GAAP gross profit, non-GAAP income from operations, non-GAAP (benefit) provision for income taxes, non-GAAP net income and non-GAAP diluted earnings per share, that exclude the results of our acquisition of DECO Tool Supply Co. (“DECO”) on July 31, 2017. These non-GAAP financial measures also exclude, for the thirteen and twenty-six-week periods ended March 3, 2018, the net estimated impact of the TCJA passed in December 2017, as these items will significantly impact comparability between years. This provisional benefit is an estimate subject to adjustment during a 12-month measurement period.

These non-GAAP measures are not in accordance with or an alternative for GAAP, and may be different from non-GAAP measures used by other companies. We believe that these non-GAAP measures have limitations in that they do not reflect MSC’s results of operations as determined in accordance with GAAP, and that these measures should only be used to evaluate MSC’s results of operations in conjunction with the corresponding GAAP measures. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP measures. We compensate for the limitations of non-GAAP financial measures by relying upon GAAP results to gain a complete picture of the Company’s performance.

In calculating non-GAAP financial measures, we exclude the results of DECO and the tax benefits attributable to the TCJA to facilitate a review of the Company’s operating performance on a period-to-period basis, for comparison with forecasts and strategic plans, and for benchmarking performance externally against competitors. We believe that investors benefit from seeing results “through the eyes” of management in addition to seeing GAAP results. We believe that these non-GAAP measures, when read in conjunction with the Company’s GAAP financials, provide useful information to investors by offering:

- the ability to make more meaningful period-to-period comparisons of the Company’s on-going operating results;
- the ability to better identify trends in the Company’s underlying business and perform related trend analyses;
- a better understanding of how management plans and measures the Company’s underlying business; and
- an easier way to compare the Company’s operating results against analyst financial models and operating results of competitors that supplement their GAAP results with non-GAAP financial measures

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES

Reconciliation of GAAP and Non-GAAP Information

Thirteen and Twenty-Six Weeks Ended March 3, 2018 and March 4, 2017

(dollars in thousands)

GAAP Measure		Items Affecting Comparability				Non-GAAP Measure	
Net cash provided by operating activities Thirteen Weeks Ended		Expenditures for property, plant and equipment Thirteen Weeks Ended				Free cash flow Thirteen Weeks Ended	
March 3, 2018	March 4, 2017	March 3, 2018	March 4, 2017	March 3, 2018	March 4, 2017	March 3, 2018	March 4, 2017
\$ 36,207	\$ 20,695	\$ (8,233)	(13,010)	\$ 27,974		\$ 7,685	

GAAP Measure		Items Affecting Comparability				Non-GAAP Measure	
Net cash provided by operating activities Twenty-Six Weeks Ended		Expenditures for property, plant and equipment Twenty-Six Weeks Ended				Free cash flow Twenty-Six Weeks Ended	
March 3, 2018	March 4, 2017	March 3, 2018	March 4, 2017	March 3, 2018	March 4, 2017	March 3, 2018	March 4, 2017
\$ 118,187	\$ 96,656	\$ (17,261)	(25,508)	\$ 100,926		\$ 71,148	

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES

Reconciliation of GAAP and Non-GAAP Information

Thirteen and Twenty-Six Weeks Ended March 3, 2018

(dollars in thousands, except per share data)

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Net Sales		DECO Tool Supply Co.		Net Sales, excluding DECO		Average Daily Sales Growth		Average Daily Sales Growth, Excluding DECO	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018
\$ 768,987	\$ 1,537,548	\$ 29,955	\$ 59,637	\$ 739,032	\$ 1,477,911	9.3 %	10.6 %	5.0 %	6.3 %

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Gross Profit		DECO Tool Supply Co.		Gross Profit, excluding DECO		Gross Margin		Gross Margin, excluding DECO	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018
\$ 337,223	\$ 672,292	\$ 6,647	\$ 13,088	\$ 330,576	\$ 659,204	43.9 %	43.7 %	44.7 %	44.6 %

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Operating Expenses		DECO Tool Supply Co.		Operating Expenses, excluding DECO		Operating Expenses as a percentage of Net Sales		Operating Expenses as a percentage of Net Sales, Excluding DECO	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018
\$ 239,120	\$ 474,911	\$ 6,295	\$ 12,160	\$ 232,825	\$ 462,751	31.1 %	30.9 %	31.5 %	31.3 %

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Operating Income (Loss)		DECO Tool Supply Co.		Operating Income (Loss), excluding DECO		Operating Margin		Operating Margin, excluding DECO	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018
\$ 98,103	\$ 197,381	\$ 352	\$ 928	\$ 97,751	\$ 196,453	12.8 %	12.8 %	13.2 %	13.3 %

GAAP Measure		Items Affecting Comparability				Non-GAAP Measure	
(Benefit) provision for income taxes		DECO Tool Supply Co.		Provisional one-time tax benefit		(Benefit) provision for income taxes, excluding DECO and one- time provisional benefit	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018
\$ (22,709)	\$ 13,502	\$ 6	\$ 127	\$ 41,199	\$ 41,199	\$ 18,484	\$ 54,574

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Reconciliation of GAAP and Non-GAAP Information (cont.)
Thirteen and Twenty-Six Weeks Ended March 3, 2018
(dollars in thousands, except per share data)

GAAP Measure		Items Affecting Comparability				Non-GAAP Measure	
(Benefit) provision for income taxes		DECO Tool Supply Co.		Provisional one-time tax benefit and adjustment from applying lower YTD rate		(Benefit) provision for income taxes, excluding DECO and one-time provisional benefit and adjustment from applying lower YTD rate	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018
\$ (22,709)	\$ 13,502	\$ 6	\$ 127	\$ 58,128	\$ 58,128	\$ 35,413	\$ 71,503

GAAP Measure		Items Affecting Comparability				Non-GAAP Measure	
Net Income (Loss)		DECO Tool Supply Co.		Provisional one-time tax benefit		Net Income (Loss), excluding DECO and one-time provisional benefit	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018
\$ 117,552	\$ 177,137	\$ 106	\$ 306	\$ 41,199	\$ 41,199	\$ 76,247	\$ 135,632

GAAP Measure		Items Affecting Comparability				Non-GAAP Measure	
Net Income (Loss)		DECO Tool Supply Co.		Provisional one-time tax benefit and adjustment from applying lower YTD rate		Net Income (Loss), excluding DECO and one-time provisional benefit and adjustment from applying lower YTD rate	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018
\$ 117,552	\$ 177,137	\$ 106	\$ 306	\$ 58,128	\$ 58,128	\$ 59,318	\$ 118,703

GAAP Measure		Items Affecting Comparability				Non-GAAP Measure	
Diluted Earnings Per Share		DECO Tool Supply Co.		Provisional one-time tax benefit		Diluted Earnings Per Share, excluding DECO and one-time provisional benefit	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018
\$ 2.06	\$ 3.12	\$ -	\$ -	\$ 0.72	\$ 0.72	\$ 1.34	\$ 2.40

GAAP Measure		Items Affecting Comparability				Non-GAAP Measure	
Diluted Earnings Per Share		DECO Tool Supply Co.		Provisional one-time tax benefit and adjustment from applying lower YTD rate		Diluted Earnings Per Share, excluding DECO and one-time provisional benefit and adjustment from applying lower YTD rate	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018	March 3, 2018
\$ 2.06	\$ 3.12	\$ -	\$ -	\$ 1.02	\$ 1.02	\$ 1.04	\$ 2.10

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Reconciliation of GAAP and Non-GAAP Information
Guidance for Thirteen Weeks Ended June 2, 2018*
(dollars in millions, except per share data)

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Net Sales Thirteen Weeks Ended June 2, 2018	DECO Tool Supply Co. Thirteen Weeks Ended June 2, 2018	Net Sales, excluding DECO Thirteen Weeks Ended June 2, 2018	Average Daily Sales Growth Thirteen Weeks Ended June 2, 2018	Average Daily Sales Growth, Excluding DECO Thirteen Weeks Ended June 2, 2018
\$ 827.6	\$ 31.7	\$ 795.9	11.3 %	7.0 %
GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Gross Profit Thirteen Weeks Ended June 2, 2018	DECO Tool Supply Co. Thirteen Weeks Ended June 2, 2018	Gross Profit, excluding DECO Thirteen Weeks Ended June 2, 2018	Gross Margin Thirteen Weeks Ended June 2, 2018	Gross Margin, excluding DECO Thirteen Weeks Ended June 2, 2018
\$ 362.2	\$ 7.0	\$ 355.2	43.8 %	44.6 %
GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Operating Expenses Thirteen Weeks Ended June 2, 2018	DECO Tool Supply Co. Thirteen Weeks Ended June 2, 2018	Operating Expenses, excluding DECO Thirteen Weeks Ended June 2, 2018	Operating Expenses as a percentage of Net Sales Thirteen Weeks Ended June 2, 2018	Operating Expenses as a percentage of Net Sales, Excluding DECO Thirteen Weeks Ended June 2, 2018
\$ 245.4	\$ 6.2	\$ 239.2	29.7 %	30.0 %
GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Operating Income Thirteen Weeks Ended June 2, 2018	DECO Tool Supply Co. Thirteen Weeks Ended June 2, 2018	Operating Income, excluding DECO Thirteen Weeks Ended June 2, 2018	Operating Margin Thirteen Weeks Ended June 2, 2018	Operating Margin, excluding DECO Thirteen Weeks Ended June 2, 2018
\$ 116.8	\$ 0.7	\$ 116.1	14.1 %	14.6 %
GAAP Measure	Items Affecting Comparability	Non-GAAP Measure		
Net Income (Loss) Thirteen Weeks Ended June 2, 2018	DECO Tool Supply Co. Thirteen Weeks Ended June 2, 2018	Net Income (Loss), excluding DECO Thirteen Weeks Ended June 2, 2018		
\$ 79.9	\$ 0.3	\$ 79.6		
GAAP Measure	Items Affecting Comparability	Non-GAAP Measure		
Diluted Earnings Per Share Thirteen Weeks Ended June 2, 2018	DECO Tool Supply Co. Thirteen Weeks Ended June 2, 2018	Diluted Earnings Per Share, excluding DECO Thirteen Weeks Ended June 2, 2018		
\$ 1.40	\$ -	\$ 1.40		

* The data in the above tables represent the midpoint of management's guidance; see note regarding forward-looking statements